



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

SINGLE FAMILY HOUSING



Single Family Housing Policy Handbook 4000.1, Section III.A.3.c

Servicing FHA-Insured Mortgages in Presidentially Declared Disaster Areas

October 18, 2017

The information in this document is current as of the Last Update date noted above. This document does not establish or modify the policy contained in FHA's Handbooks and Mortgagee Letters in any way.

Last Updated: 9/11/17

Agenda

Foreclosure Moratorium

Loan Mitigation for Borrowers in PDMDAs

Conveyance

Resources



Foreclosure Moratorium



Disaster Declarations

- Under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, the President has authority to declare a major disaster for any area which has been affected by damage of sufficient severity and magnitude to warrant major disaster assistance.
- Disaster Declarations and information regarding available federal assistance for each disaster incident are posted on the [Federal Emergency Management Agency's \(FEMA\) website](#)
- Whenever the President declares a major disaster, the Mortgagee must implement the procedures set forth in the *Single Family Housing Policy Handbook* 4000.1, Section III.A.3.c, for each designated area that is eligible for federal disaster assistance.

Ref: HUD Handbook 4000.1, Section III.A.3.c



Moratorium on Foreclosures

FHA-insured Mortgages secured by Properties located in Presidentially-Declared Major Disaster Areas (PDMDAs) will be subject to a moratorium on foreclosures following the Disaster Declaration.

- **The foreclosure moratorium is:**
 - Effective for a 90-Day period beginning on the date of the Disaster Declaration for that area (HUD may communicate further specific guidance for extension of moratorium periods for individual disasters);
 - Applicable to the initiation of foreclosures and foreclosures already in process; and
 - Considered an additional period of time approved by HUD for the Mortgagee to take loss mitigation action or commence foreclosure.

Ref: HUD Handbook 4000.1, Section III.A.3.c



Documentation & Hazard Insurance

Documentation

- The Mortgagee may submit a request for an extension to HUD's foreclosure-related deadlines via HUD's Extensions and Variances Automated Requests System (EVARS) when prohibited from performing a required activity due to the foreclosure moratorium.
- The Mortgagee must retain in its Claim Review File any approved extensions from HUD related to a foreclosure moratorium.

Hazard Insurance

- The Mortgagee must take no action to initiate or complete foreclosure proceedings, after expiration of a disaster-related foreclosure moratorium, if such action will jeopardize the full recovery of a hazard or flood insurance settlement.

Ref: HUD Handbook 4000.1, Section III.A.3.c



Monitoring Repairs to Substantially Damages Homes

Definition

- A building is considered to be “Substantially Damaged,” as defined in the National Flood Insurance Program (NFIP) regulations, when “damage of any origin is sustained by a structure whereby the cost of restoring the structure to its before damaged condition would equal or exceed 50 percent of the market value of the structure before the damage occurred.”

Standard

- The Mortgagee must take appropriate actions to ensure that repairs to Substantially Damaged Properties comply with the federal building elevation standards, including those established by FEMA.
- The Mortgagee must ensure compliance with any higher applicable building elevation standard adopted by the state or local government.

Ref: HUD Handbook 4000.1, Section III.A.3.c



Hazards & Flood Insurance

Mortgagees are encouraged to make exceptional efforts to assist borrowers by providing insurance information and copies of insurance policies when needed, and by promptly releasing insurance claim proceeds when a viable repair plan has been approved, as well as following standard procedures to assure that hazard insurance claims are filed and settled expeditiously.

Loan Mitigation for Borrowers in PDMDAs



Loss Mitigation for Borrowers in PDMDAs

Should Presidentially-Declared Major Disasters adversely impact a Borrower's ability to make on-time Mortgage Payments, the Mortgagee must provide the Borrower with forbearance and HUD loss mitigation assistance, where appropriate, as provided in applicable FHA policy guidance.

Ref: HUD Handbook 4000.1, Section III.A.3.c



Loss Mitigation Owner Occupant Requirement

The Mortgagee must not deny a Borrower any Loss Mitigation Option solely for failure to occupy a mortgaged Property if the following conditions are met:

- The mortgaged Property is located within a PDMDA;
- The dwelling was the Principal Residence of a Borrower immediately prior to the disaster event;
- A Borrower intends to re-occupy the mortgaged Property upon restoration of the home to habitable condition; and
- The total accumulated mortgage arrearages have not exceeded the equivalent of 12 months Principal, Interest, Taxes, and Insurance (PITI).

Ref: HUD Handbook 4000.1, Section III.A.3.c



Forbearance Options for Disaster-Affected Borrowers

Before considering an affected Borrower for a permanent solution using one of FHA's Loss Mitigation Home Retention Options, the Borrower must first be evaluated for a forbearance.

- Allows for one or more periods of reduced or suspended payments without specific terms of repayment.
- The Mortgagee may offer forbearance relief to a Borrower with a mortgaged Property or place of employment located within a PDMDA.

Ref: HUD Handbook 4000.1, Section III.A.3.c



Forbearance Options for Disaster-Affected Borrowers (cont.)

Informal Forbearance for Borrowers in PDMDAs

- Mortgagees may consider Borrowers in PDMDAs for an Informal Forbearance and offer additional Informal Forbearance periods if the foreclosure moratorium is extended.

Formal Forbearance for Borrowers in PDMDAs

- Mortgagees may consider Formal Forbearances for Borrowers in PDMDAs while they are pursuing home repairs and/or resolving verifiable financial difficulties related to the disaster, provided that:
 - The forbearance period does not exceed the estimated time needed to complete home repairs as supported by a contract or repair estimate; and
 - The total accumulated mortgage arrearages during the forbearance period does not exceed the equivalent of 12 months PITI.

Ref: HUD Handbook 4000.1, Section III.A.3.c



Loan Modification without a Financial Evaluation

Borrowers who receive Informal or Formal Forbearances based solely on the location of their mortgaged Property or place of employment within a PDMDA must be offered a Rate and Term modification at the conclusion of the forbearance period based on specific eligibility requirements.

- **Eligibility Requirements: Loan Modification without a Financial Evaluation**
 - The Mortgage was current or less than 30 days past due as of the date of the applicable Disaster Declaration.
 - The Mortgagee obtains a Verification of Employment (VOE) confirming that the Borrower's employment status is the same as it was prior to the disaster.
 - Home damages have been repaired.
 - The dwelling is owner-occupied.

Ref: HUD Handbook 4000.1, Section III.A.3.c



Loan Modification without a Financial Evaluation (cont.)

Terms of the Loan Modification

- The total monthly Mortgage Payment, or PITI, on the modified Mortgage must be less than or equal to the existing payment on the FHA-insured Mortgage.
- The Borrower must successfully complete a three-month Trial Payment Plan (TPP).
- The Mortgagee must capitalize into a modified mortgage balance:
 - The accumulated arrearages for unpaid accrued interest; and
 - Eligible unreimbursed Mortgagee advances and related fees and costs chargeable to the Mortgage.
- The Mortgagee waives late fees if the Borrower satisfies all conditions of the TPP.
- The Mortgagee extends the term of the Mortgage to 360 months from the modification effective date.
- The Mortgagee sets the interest rate at the Market Rate as defined by HUD.

Ref: HUD Handbook 4000.1, Section III.A.3.c



Required Financial Evaluation for other Loss Mitigation Home Retention Options

Borrower Eligibility

- The Mortgagee must evaluate other Loss Mitigation Home Retention Options for those who meet one of the following criteria:
 - Borrowers who are not eligible for the “Loan Modification without a Financial Evaluation” Option;
 - Borrowers eligible for “Loan Modification without a Financial Evaluation” who are experiencing a continuation of lower income or higher living expenses following the disaster; and
 - Borrowers eligible for “Loan Modification without a Financial Evaluation” who do not successfully complete the required TPP.
- *Borrowers who do not currently have an increase in living expenses but, are Delinquent due to a forbearance (received following a Disaster Declaration) are deemed eligible for FHA Loss Mitigation Home Retention Options.*

Ref: HUD Handbook 4000.1, Section III.A.3.c



Required Financial Evaluation for other Loss Mitigation Home Retention Options (cont.)

Use of Loan Modification Option

- The Mortgagee must ensure that the Borrower repairs home damages and occupies the dwelling as an owner-occupant before the Mortgagee completes the Loan Modification.

Ref: HUD Handbook 4000.1, Section III.A.3.c



Loss Mitigation for Borrowers in PDMDAs

Home Disposition Options

- Being located in a disaster area does not automatically preclude the mortgaged Property from the availability of Home Disposition Options.

Suspension of Reporting to Consumer Reporting Agencies

- Mortgagees must suspend reporting of delinquencies to consumer reporting agencies for a Borrower who is granted disaster-related Mortgage Payment relief and is otherwise performing as agreed, unless such reporting is required for a Loan Modification.

Waiver of Late Charges

- Mortgagees must waive Late Charges as long as the Borrower is on a Forbearance Plan or paying as agreed on a Loss Mitigation Option.

Ref: HUD Handbook 4000.1, Section III.A.3.c



Conveyance

Conveyance: Condition of Property

At the time of conveyance to HUD, “Acceptable Conveyance Condition” refers to how the Mortgagee must ensure that the Property meets all of the following conditions:

- The Property is undamaged by fire, **flood**, earthquake, hurricane, tornado, boiler explosion (if a condominium) or Mortgagee Neglect.
- The Property is secured and, if applicable, winterized.
- All insured damages including theft and vandalism, if any, are repaired per the scope of work indicated on the insurance documents.
- Interior and exterior debris are removed, with the Property’s interior maintained in Broom-swept Condition; the lawn is maintained; and all vehicles and any other personal property are removed in accordance with state and local requirements.
- The Mortgagee has good and marketable title.
- Broom-swept Condition is the condition of a Property that is, at a minimum, reasonably free of dust and dirt and free of hazardous materials or conditions, personal belongings, and interior and exterior debris.

Ref: HUD Handbook 4000.1, Section III.A.3.c



Conveyance: Damage to Conveyed Properties

- **Surchargeable Damage** is damage to a Property caused by fire, **flood**, earthquake, tornado, boiler explosion (for condominiums only) or Mortgagee Neglect.
- Mortgagee Neglect is the Mortgagee's failure to take action to preserve and protect the Property from the time it is determined (or should have been determined) to be vacant or abandoned, until the time it is conveyed to HUD.
- Non-Surchargeable Damage is damage to a Property that is not Surchargeable Damage.

Ref: HUD Handbook 4000.1, Section III.A.3.c



Conveyance: Damage to Conveyed Properties (cont.)

Conveyance Requiring HUD Approval

- The Mortgagee must request and obtain approval from the MCM before conveyance under any of the following circumstances:
 - Conveyance of a Property damaged while under the control of the Mortgagee or as a result of Mortgagee Neglect;
 - Conveyance of a Property with unrepaired insurable damage and insurance repair proceeds;
 - Conveyance of a Property as-is with unfinished renovations, code violations, liens, or other outstanding state law and local code compliance issues; and
 - Demolition and/or conveyance of a vacant lot.

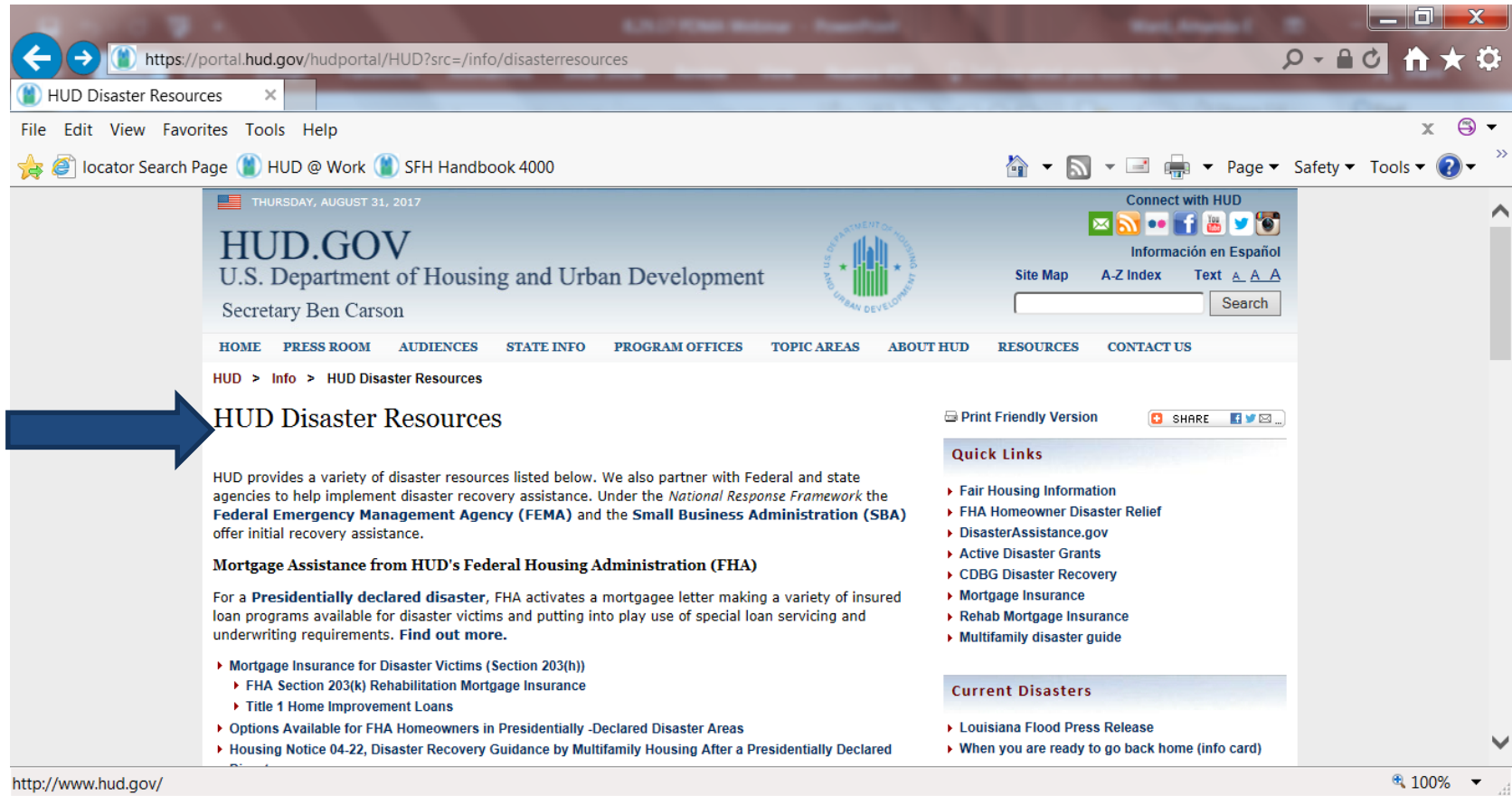
Ref: HUD Handbook 4000.1, Section III.A.3.c



Resources



HUD Disaster Resources



The screenshot shows the HUD.GOV website as of Thursday, August 31, 2017. The page is titled "HUD Disaster Resources" and is part of the "Info" section. A large blue arrow points to the heading "HUD Disaster Resources". The page content includes a paragraph about HUD's disaster resources, a section for "Mortgage Assistance from HUD's Federal Housing Administration (FHA)", and a list of links for mortgage insurance and disaster recovery guidance. On the right side, there are "Quick Links" and "Current Disasters" sections.

HUD provides a variety of disaster resources listed below. We also partner with Federal and state agencies to help implement disaster recovery assistance. Under the *National Response Framework* the **Federal Emergency Management Agency (FEMA)** and the **Small Business Administration (SBA)** offer initial recovery assistance.

Mortgage Assistance from HUD's Federal Housing Administration (FHA)

For a **Presidentially declared disaster**, FHA activates a mortgagee letter making a variety of insured loan programs available for disaster victims and putting into play use of special loan servicing and underwriting requirements. **Find out more.**

- ▶ Mortgage Insurance for Disaster Victims (Section 203(h))
 - ▶ FHA Section 203(k) Rehabilitation Mortgage Insurance
 - ▶ Title 1 Home Improvement Loans
- ▶ Options Available for FHA Homeowners in Presidentially -Declared Disaster Areas
- ▶ Housing Notice 04-22, Disaster Recovery Guidance by Multifamily Housing After a Presidentially Declared

Quick Links

- ▶ Fair Housing Information
- ▶ FHA Homeowner Disaster Relief
- ▶ DisasterAssistance.gov
- ▶ Active Disaster Grants
- ▶ CDBG Disaster Recovery
- ▶ Mortgage Insurance
- ▶ Rehab Mortgage Insurance
- ▶ Multifamily disaster guide

Current Disasters

- ▶ Louisiana Flood Press Release
- ▶ When you are ready to go back home (info card)

Ref: HUD Handbook 4000.1, Section III.A.3.c



Online Loss Mitigation Resources

- [SF Handbook 4000.1, Section III.A.3 Programs & Products, c. Presidentially-Declared Major Disaster Areas](#)
- [National Servicing Center \(NSC\) Training](#): Includes information and training schedules for ECLASS, Classroom Training, and the Loss Mitigation Webinar Series
- [NSC Loan Servicing Guidance](#)
 - [Loss Mitigation Mortgagee Letters](#)
 - [HUD Approved Counseling Agencies](#)
 - [Extension and Variance Automated Requests System \(EVARS\)](#)
 - [Tier Ranking System](#)
- [FHA Info Announcements Archives](#)
- [Single Family Delinquency/Default Reporting](#)
 - [Neighborhood Watch](#)
 - [Single Family Default Monitoring System \(SFDMS\) Reporting Codes](#)
 - [FHA Connection](#)
 - [EDI Webpage](#)
- [Code of Federal Regulations](#): 24 CFR 202.2, 203.331, 203.355, 203.356, 203.502, 203.600, 203.606, and 203.608
- [Single Family Housing Policy Handbook \(SF Handbook\) 4000.1](#)
- [SF Handbook Supplemental Documents](#)



National Servicing Center Contact Information

U.S. Department of HUD
FHA National Servicing Center
301 NW 6th Street
Oklahoma City, OK 73102
1-877-622-8525

QUESTIONS:

- Secretary Held Servicing Contractor: (877) 622-8525
- Home Equity Conversion Mortgage (HECM) Servicing: hecm.servicing@novadconsulting.com
- Requests for Extensions: extensionrequests@hud.gov
- Training Issues: eclass@hud.gov
- TRS, Data, SFDMS Reporting: sfdatarequests@hud.gov
- Single Family FHA - Claims Processing:
[Claims Help Desk](mailto:FHA_SFClaims@hud.gov) (FHA_SFClaims@hud.gov)

FHA Resource Center

	Option	Point of Contact	Hours Available	Comments
1	FHA Knowledge Base – FAQs	www.hud.gov/answers	24/7/365	Knowledge Base web page includes option to email questions.
2	Email	answers@hud.gov	24/7/365	
3	Telephone	1-800-CALL-FHA (1-800-225-5342) Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.	8:00 AM to 8:00 PM Eastern M-F	Voicemail is available after hours or during extended wait periods.

FHA INFO emails: Frequent email notifications of new policies and training opportunities for anyone who signs up. Subscribe at: https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/FHA_INFO_subscribe

Questions?



Thank You!

For joining us today

